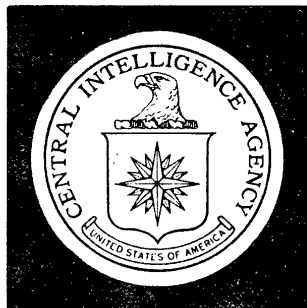


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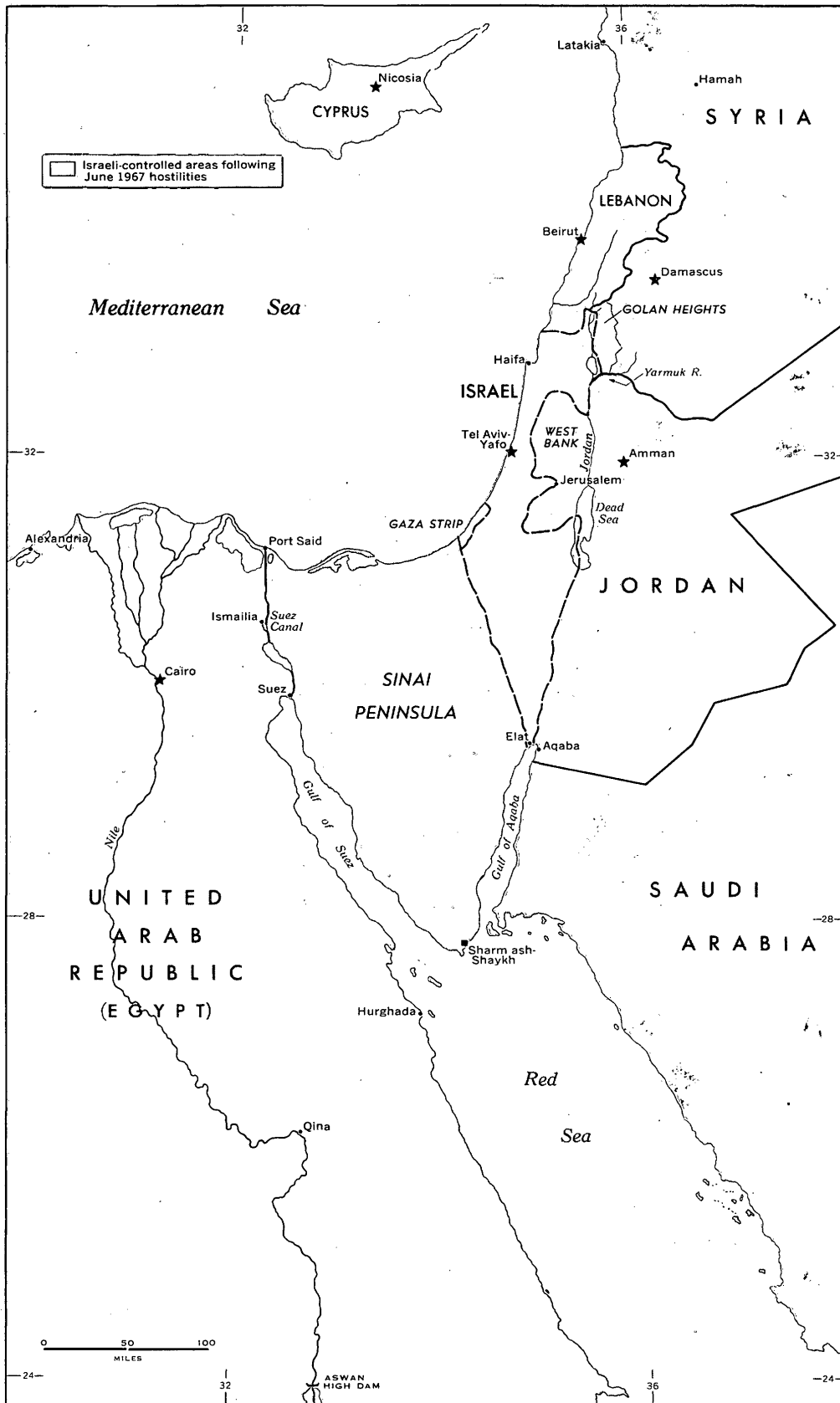


The President's Daily Brief

4 February 1969

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FOR THE PRESIDENT ONLY

5 February 1969

LATE NOTES FOR THE PRESIDENT'S DAILY BRIEF OF

~~4~~ FEBRUARY 1969

I. MAJOR PROBLEMS

MIDDLE EAST

There is nothing of significance to report.

EUROPE

There is nothing of significance to report.

SOVIET AFFAIRS

There is nothing of significance to report.

VIETNAM

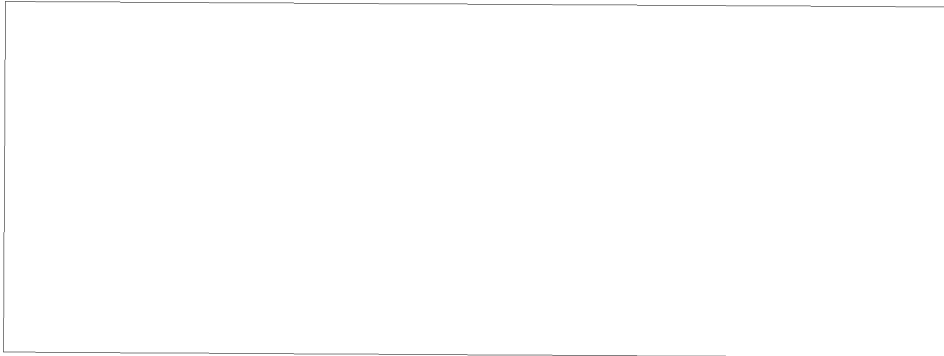
Vice President Ky has told Ambassador Lodge that he intends to return to Saigon on Saturday, 8 February. His purpose is to put more pressure on President Thieu to reorganize the South Vietnamese government and in particular to replace Premier Huong.

Ky has been telling American officials for some time that the government of South Vietnam cannot deal effectively with all the problems it will face in a post war competition with the Communists unless the cabinet is strengthened. In

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Ky's mind, strengthening the cabinet means ousting his personal enemy Huong and several other cabinet members and replacing them with Ky's own supporters.



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II. OTHER IMPORTANT DEVELOPMENTS

CANADA

The Canadian Ambassador in Washington said yesterday his government is considering advancing the timing of its initial contact in Stockholm with the Chinese Communists from 7 February to today, in view of press leaks in Japan about the intended approach. There would also be an acceleration of the public announcement, originally planned for 10 February.



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CUBA

Havana, in reply to US queries, has given the Swiss a note setting out its views on the hijacking problem and the use of Miami-Varadero flights by Cubans wishing to return to Cuba. The main points are:

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- The Cubans are not willing to approve unrestricted entry of all Cubans who might wish to return home from the US; they are willing to consider any list of names given them, but in no case could any person who left Cuba illegally be permitted to return.
- The Cubans would be willing to permit passengers on hijacked planes to return to the US on the same plane provided the crew, airlines, and US authorities are willing to take all responsibility.
- Havana does not consider it possible under present circumstances to conclude a bilateral agreement with the US.
- If the problem continues, Havana will consider taking any measures it considers appropriate to resolve it "in an adequate and just manner."

In a subsequent conversation with the Swiss Ambassador, Castro's main argument was that the US is to blame for the hijacking problem, since hijackers were usually individuals who had left Cuba illegally, and the US had encouraged this by receiving such people with open arms. 50X1

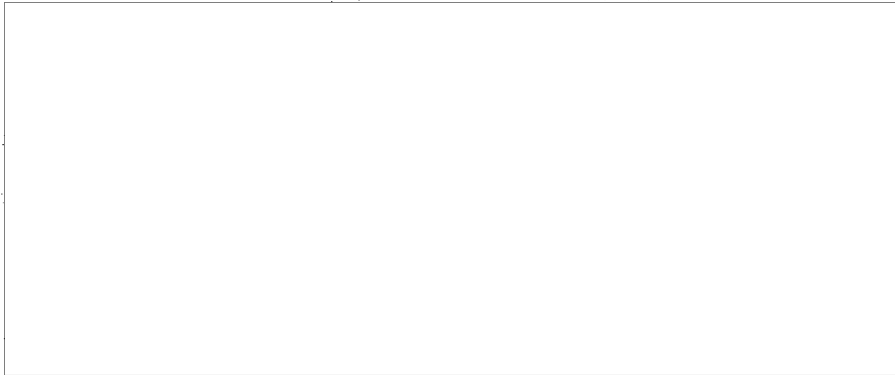
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I. MAJOR PROBLEMS

MIDDLE EAST



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The influential Jerusalem Post, which often reflects Israeli Government thinking, recently suggested that for any meaningful settlement Israel might better deal with the terrorists than the Arab governments.



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The fact that nothing came of last month's Jordanian economic mission to Moscow was, oddly enough, pleasing to both sides. Both, for reasons of their own, went through the ritual of negotiations, seemingly only for purposes of arriving at a congenial communiqué. The Soviets, of course, were interested in preserving their

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image as friends of the Arabs. The Jordanians apparently wanted to make their Western friends nervous about their future orientation, as well as to see if the Soviets could be induced to give them something for nothing.

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EUROPE

There is nothing significant to report.

SOVIET AFFAIRS

The Soviets' failure to orbit a weather satellite on 1 February leaves their program limping, with only one active monitoring system in orbit--and its useful lifetime is probably about over. This will make it more difficult than ever for Moscow to live up to its obligations under a series of US-USSR agreements dating back to 1962 for timely exchange of meteorological data.

The first successful Soviet weather satellite was not orbited until 1966, a year after the date set in the agreement for exchange of information. Since then, the USSR has sent only limited data to the US, most of it late and of poor quality.

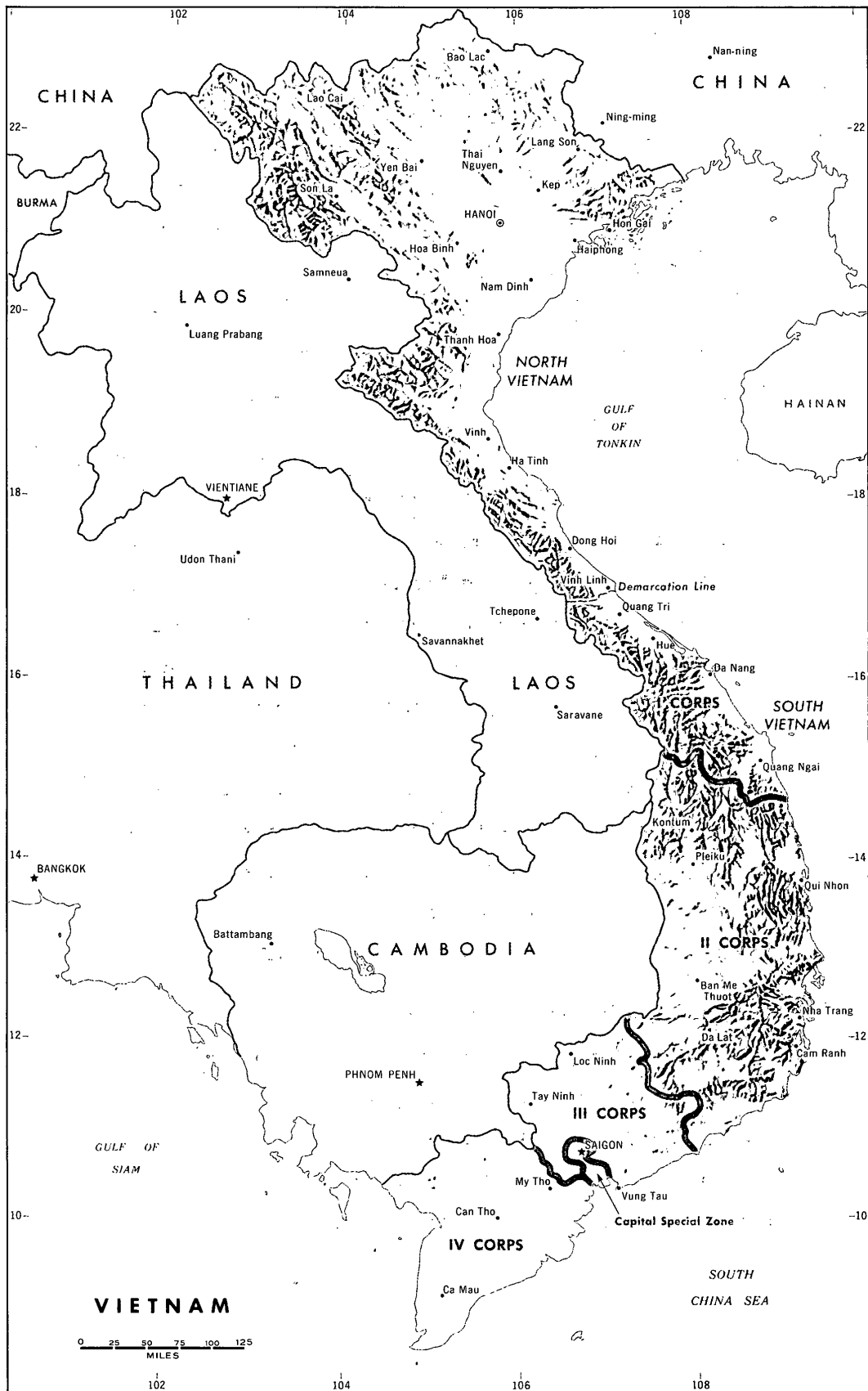
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VIETNAM

A preview of Hanoi's initial substantive position in the Paris talks may have been surfaced in Ambassador Lodge's conversation with Soviet Ambassador Zorin in Paris on 31 January. We share Ambassador Lodge's view that the Soviets are right on top of events in Paris. In fact, it seems likely that Zorin was leading with openers suggested by the North Vietnamese.

He suggested that the US should take the initiative by starting to pull out US troops and then consider political matters. On the latter, Zorin baldly suggested that Lodge should use his "influence" in Saigon to bring about changes in the government so that talks could move forward. This is a fine scenario from the Communist point of view and precisely parallels their propaganda line about a "peace cabinet" and the need for the US to end its "aggression" as a first step toward a settlement. Hanoi almost certainly believes, however, that it will have to climb down from this position eventually. Zorin's comments were another attempt to stake out a maximum position at the outset of the talks.

The Vietnamese Communists seem concerned about the implications of partial US troop withdrawals prior to some understanding on broader political issues. They would, of course, like to see the US withdraw unilaterally and completely without making the Communists pay a price in return. But not only do they realize that this



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is unlikely they also seem apprehensive about suggestions that the US plans only a gradual withdrawal of its forces as the South Vietnamese take over the main part of the job. They realize that if this changeover were successfully executed, it would undercut what they consider to be an element of prime leverage on the US--domestic US pressure for political concessions to the Communists in order to end the war and get US troops home. Le Duc Tho told Ambassador Harriman last month that the Communists would have none of this, and he strongly implied they would try to prevent it with military force if necessary. A recent Hanoi broadcast concludes on a similar note by saying that the US cannot "de-Americanize" the war.

* * *

Ground activity remained at a generally low level yesterday. One rocket round landed in the Hue Citadel.

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II. OTHER IMPORTANT DEVELOPMENTS

KOREA

North Korea may be readying more guerrilla groups to infiltrate the South. We have indications [redacted] [redacted] that approximately four 15-man teams are taking operational training. These may be the same four that trained earlier with--but did not accompany--the eight teams that landed on South Korea's east coast in November.

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PANAMA

The current situation in Panama is the subject of today's Annex.

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Some government officials have finally become convinced that the danger of US sanctions in the dispute over the expropriation of the International Petroleum Company is real, and the government is trying to trim its propaganda sails accordingly. [redacted]

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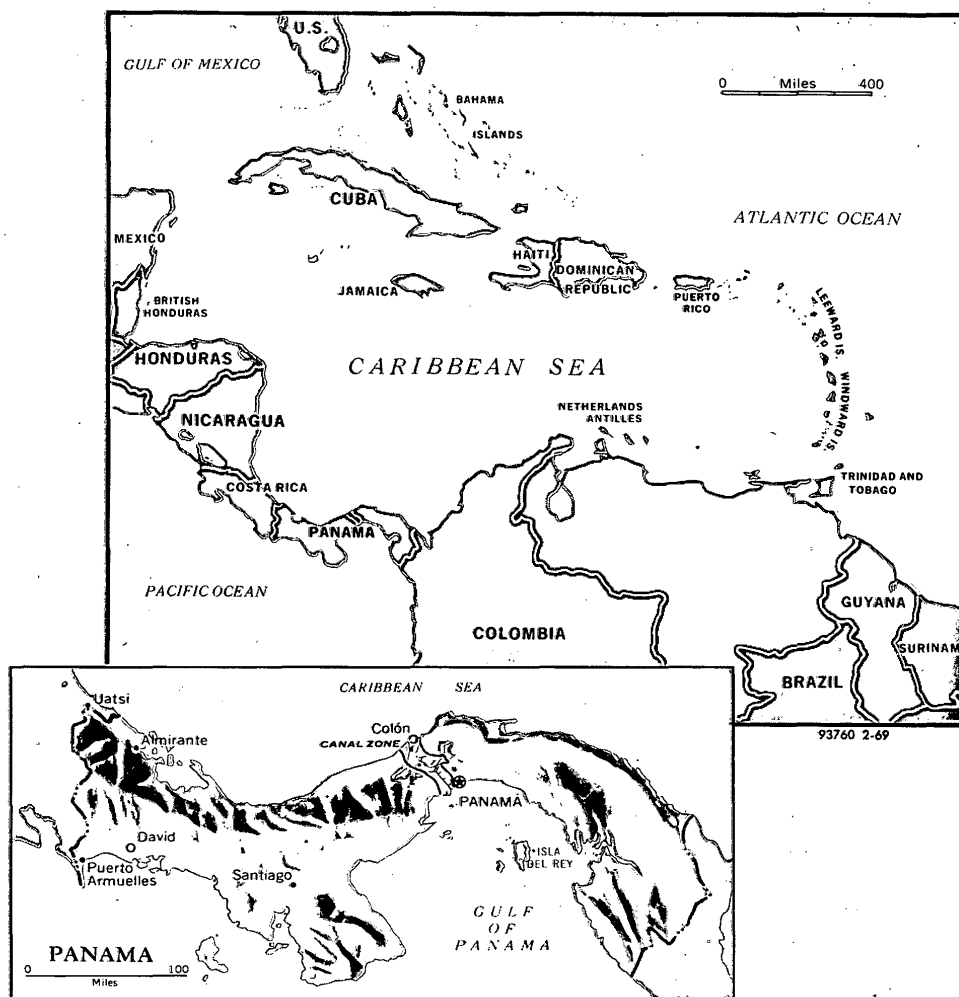
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To us this seems in large measure a cosmetic change.
We believe Velasco and his nationalistic advisers are too heavily committed to the prosecution of their case to make any significant concessions on the substance of the dispute itself. [REDACTED]

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PANAMA*

SIGNIFICANCE: Panama, closely linked to the US by its dependence on benefits from the interoceanic canal and the sizable US presence on the isthmus, is currently saddled with the first direct military government in the 65-year history of the republic. US relations with the junta government have been correct but cool since the coup last October and economic assistance, programed at about \$20 million in FY 1969, has been resumed only on a limited scale. The government has not been anti-American but the colonels now in control are likely to be more nationalistic--and thus more difficult to deal with--than their civilian predecessors. Prospects for the draft canal treaties look exceedingly dim at this point.

* * *

Internal Political Situation

The Panamanian political system, long dominated by a small group of wealthy and often warring families, almost broke down during a series of crises last year associated with the chaotic election that brought Arnulfo Arias to the presidency for a third time. After only eleven days in office Arias was ousted--as he had been twice before--by a military coup when he attempted to dislodge opponents in the ranks of the National Guard, the country's only military and police force.

Power relationships in Panama are still extremely fluid. The 5,000-man guard is now struggling with the unfamiliar task of running a government. Colonels Torrijos and Martinez,

*A Special National Intelligence Estimate (Number 84-69) entitled "The Situation in Panama" was approved by the US Intelligence Board on 30 January 1969.

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guard commandant and chief of staff respectively, were the authors of the coup, and the reins of authority within the government have rested almost exclusively with them from the beginning.

Both men have publicly given an appearance of unity, but there are recurring reports of rivalry between them. Both are ambitious, though Martinez seems to be more aggressive and has adeptly placed his followers in key command positions. [REDACTED]

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Torrijos and Martinez have both expressed antipathy for the country's wealthy oligarchy, whose privileged political position has diminished considerably since the coup. However, the strong call for reform espoused by the government appears to stem principally from Martinez, who has a reputation for honesty that is rare in Panamanian politics. A government dominated solely by Martinez would probably push the pace of reform, making coexistence between the upper-class elite and the military establishment more tenuous. Torrijos is more prone to deal with the old-line politicians and less inclined to press for wholesale changes. Martinez, on the other hand, would probably resort to strong-arm methods to get what he wanted.

Since the military take-over, the government has issued a number of pronouncements on intended reforms, but its program to date has been vague and one of improvisation.

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Indeed, there are no indications that the colonels as yet have a well-defined concept of what they seek to accomplish under their military-directed "revolution." Elections of some sort have been promised in 1970, presumably after the electoral machinery has been overhauled to clean up the gross manipulation practiced by the oligarchy in past elections. The outlook for an early return to anything approaching a democratically functioning political system, however, appears bleak.

Panamanians have long regarded the military with considerable disdain, and the junta government has had little success in eliciting popular support. Indeed, almost all opposition has been either curtailed or crushed. Political parties have been intimidated and neutralized, stringent controls have been laid on the country's news media, and the two largest educational institutions have been shut down to thwart possible student disorders. Panama's small and disorganized extremist groups have been suppressed, and the government has publicly disavowed Communism or any other extremist ideology.

Consequences for the US

In this inherently unstable situation, the US is exposed because of the canal. Panama's leaders know that the US stake in the present lock canal and in any future sea-level canal can be used as a lever to apply pressure on Washington. It is doubtful, however, that the government would encourage blatant anti-Americanism except as a last resort. Only if confronted with serious political

or economic difficulties would the military leaders risk using the inflammatory canal issue to deflect criticism from themselves. The guard officers are surely aware that if they stimulated the public over some real or imagined issue involving the canal they would be riding a tiger. An aroused populace could easily get out of hand and threaten the junta's rule.

Differing concepts regarding the future of the canal underlie all relations between the US and Panama. The current government has taken no stand on the draft treaties negotiated by the Robles government during 1964-67, probably because it recognized that the US Government, beset with political problems of its own regarding any diminution of its exclusive rule of the canal, would not settle such a basic matter with a nonconstitutional government. Moreover, the new and inexperienced leadership probably does not feel secure enough at present to raise the complex and controversial treaty issue. The Robles treaty drafts were widely criticized in Panama when details were leaked in 1967. If the junta government accepted these drafts, it would be open to charges of selling out to the US. The colonels may be content to let the matter ride until a new legislative assembly is restored under some kind of constitutional trap-pings. In this case, however, the successor government would push hard Panama's long-standing demands for a larger share of canal revenues and the exercise of sovereignty over the zone. In the meantime, the junta may seek to attain through executive agreement concessions of immediate interest to Panama, such as transfer of some canal zone properties or an increase in the present annuity of \$1,930,000.

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Thus far, the military government has professed friendship toward the US. Some resentment over aid restrictions will probably continue and the current US position of restraint is likely to be reciprocated. Barring some unforeseen incident--always possible given the extent of the US presence in the country--no abrupt deterioration in relations is likely. The government may seek to demonstrate its independence from the US to gain more popular support, but the current leadership is not likely to go as far as the Peruvian junta.

While a more nationalistic attitude can be expected in dealings with the US, there are indications that the guard wants to restore the full flow of economic assistance. There is no reason to believe, however, that the junta would be particularly responsive to US pressure for an early return to elected government. Reduction or prolonged delays in US assistance could damage business confidence, increase economic difficulties, and encourage political opposition. This, in turn, might provoke the colonels into adopting an even more independent stance, which would strain traditionally close ties between the two countries and perhaps prompt the government to resort to blackmail against the US by threatening disorders against the canal.

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